

Your Update on

agriculture

April 2000

from Congressman Gil Gutknecht, First District, Minnesota



Congressman Gutknecht listening to agriculture concerns at the Riverland Community Plot Tour near Clarks Grove.

These have been challenging times on the farm. But I am confident the Congress will stand shoulder to shoulder with America's farmers to see them through this very difficult period. Although there are no simple solutions, here are seven constructive ways I believe we can begin to improve the situation for our farmers and the rural communities that depend on a strong and vital agricultural economy. I am committed to working hard on these objectives and other suggestions.

1. We must insist on strict enforcement of anti-trust laws and the Packers and Stockyards Act to ensure fair competition in our food and agriculture markets.

With fewer companies controlling a larger share of our livestock and grain markets, farmers have fewer options – and less bargaining power – when selling. Consolidation may increase efficiencies, but it also concentrates economic power, often at the expense of smaller producers.

2. With the growing trend toward forward contracting, increased transparency for the livestock and grain markets must be a priority.

The new federal mandatory livestock price reporting program must be promptly implemented. Knowledge is power, and better access to cash market and contract purchase pricing will put farmers in a stronger marketing position.

3. We must establish a more level playing field between producers and grain companies with an affordable on-farm storage facility program.

U.S. crop production is projected to exceed demand for the fourth consecutive year. Visits to grain elevators around the First District last fall proved to me a real need for improving storage infrastructure. More affordable low interest loans for on-farm storage facilities recently announced by USDA will give producers the opportunity to build new grain bins and enhance their future marketing flexibility.

4. We need to update the Conservation Reserve Program (CRP) with more funding and flexibility for farmers.

CRP provides farmers with financial incentives to retire erodible and environmentally sensitive land from production. Expanding the eligible acreage and adding shorter term contracts can help shore up farm income and reduce grain surpluses.

5. We need a renewed commitment to biofuel production.

With the recent discovery of dangerous MTBE leaks into the groundwater, using ethanol is the 'natural' alternative. Expansion of ethanol and biodiesel markets is a win for clean air, a win for Minnesota's corn and soybean growers, and a win for reducing our dependence on foreign oil. Any action by the EPA to waive oxygenate requirements in reformulated gasolines would increase air pollution and deny farmers a promising new market. We must fight any effort to weaken the Clean Air Act.

6. We must insist on a more aggressive and consistent trade policy, beginning with stronger enforcement of our existing trade agreements.

Secretary of Agriculture Dan Glickman reminded us last summer that one quarter of U.S. farm output is exported. According to USDA, Minnesota ranked 7th among all 50 states in 1998, and our reliance on farm exports has risen from 24 percent to 32 percent since 1991. American farmers' future prosperity is closely linked to finding new markets in the global economy.

7. We need to begin to develop a counter-cyclical revenue insurance program.

It probably won't be finished this year, but we need to protect producers from volatile swings in commodity prices. While we work to provide higher levels of crop insurance with more affordable premiums, we also need to continue developing a new revenue insurance program.

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No one works harder or is more efficient than the American farmer. As I meet with farmers, I find that most seem to have a sense of optimism. They're realistic enough to know that U.S. farm policy can do little about a worldwide glut of grain, but we can take some practical steps this year that will help.

If you have questions, comments or suggestions about federal farm policy, please do not hesitate to contact me in Minnesota or Washington.

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Issues, Agenda Emerge from Bipartisan Farm Summit

Earlier this year, I joined my colleagues on the House Agriculture Committee at a bipartisan farm summit. Our discussion: how to strengthen the U.S. farm economy. The consensus: hold a series of field hearings throughout farm country this year to talk about a wide range of issues.

Look for reports this year from these field hearings on issues like tax, trade and regulatory concerns, building a stronger shock absorber in the Farm Bill and protecting farmers from lost crops and depressed prices with crop insurance reforms.

Information for the nearest field hearing is shown below. As always, I value your thoughts and ideas as we work on these difficult issues this year.



Congressman Gutknecht leading the discussion about southeastern Minnesota agriculture at Doug Thompson's farm near Hayward.

House Agriculture Committee Field Hearing

Subject: Farm Policy
Date: Tuesday, May 2, 2000
Time: 8:30am
Place: Augustana College Humanities Center
(30th and Grange Avenue on campus)
Sioux Falls, South Dakota

Further information at:
www.agriculture.house.gov

Dairy Export Support Will Boost Dairy Industry

With President Clinton expected to announce a foreign donation program soon, I have been urging him to make sure to include dairy exports. The President's budget, however, reduces funding for foreign food export and donation programs at a time when dairy farmers and crop producers are facing intense international competition.

The President's budget proposes substantial funding cuts for the P.L. 480 concessional sales and the Aid for International Development programs. These spending levels are simply inadequate. These programs are good for our dairy farmers and the cuts will be felt during these already hard times. Secretary Glickman's forthcoming announcement of a substantial donation package, while encouraging, may not be enough.

P.L. 480 programs, as well as Section 416 surplus commodity donations, are important for maximizing our farm exports. I hope the President will remember the plight of our dairy farmers when he makes further decisions on this pressing issue.

Farm Emergency Aid Reaches Minnesota Farmers

Emergency farm aid designed to place money quickly in the hands of struggling producers cleared Congress late last year. This matched Secretary Glickman's highest estimated disaster funding needs. As designed by Congress, First District farmers received \$97 million within two weeks of the President's signature, each receiving an amount equal to their 1999 transition payment.

The bill also allowed producers to collect their anticipated yearly transition payment immediately. In essence, this doubled the amount of cash flowing into rural areas at a time when severe weather had destroyed harvests and poor market prices had withered the value of crops that did survive.

USDA Needs to Act Now on Farm Storage Plan

While the USDA started down the right path earlier this year by announcing a financing plan for on-farm commodity storage facilities, it appears they will not implement the program in time to benefit producers for this year's harvest. This program will provide more affordable low-interest loans for farmers to build or upgrade their on-farm facilities.

The delay is disappointing. There is no question that USDA's inaction will have a negative impact on construction costs, scheduling and marketing options. Because of the high demand for storage space, farmers are often forced to sell their grain at harvest when prices are usually at their lowest. The on-farm storage program creates more flexibility for farmers to capitalize on market fluctuations throughout the year.

I have contacted Secretary Glickman with my concerns and am awaiting his response. Expediting the FLSP is even more critical if we expect to modernize our nation's storage infrastructure for value-added products as well as conventional grains. Expanding on-farm storage is one more step toward leveling the playing field between the large grain companies and America's farmers.



Congressman Gutknecht talking with Dan Root and Troy Olson near Hayward to discuss the rail car shortage and ways to move some of the surplus grain to market.